

# An Update on the Chicago Neighborhood Stabilization Program

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# Investing in the Community

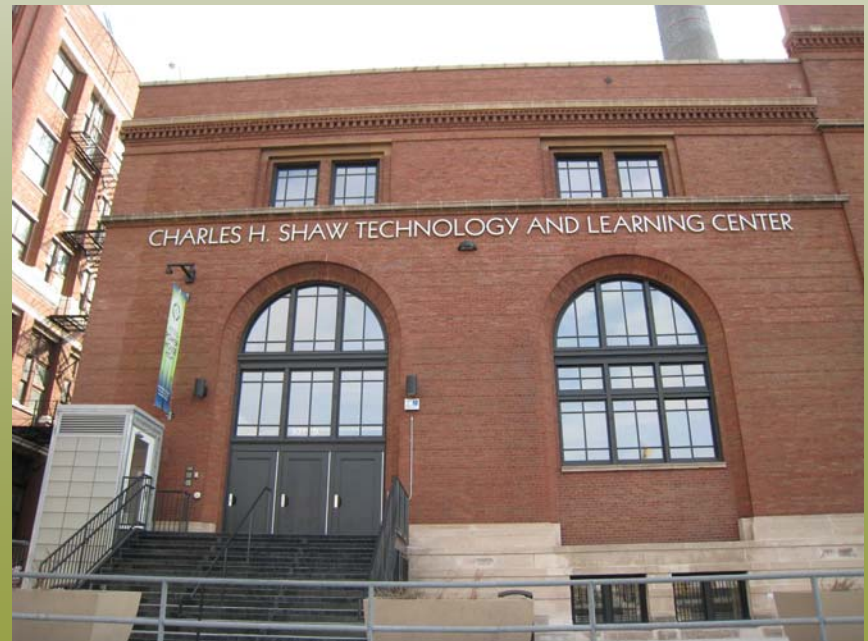
- Over the past 10-15 years, the City and its partners have invested millions of dollars on projects aimed at revitalizing our neighborhoods.
- New schools, police stations, fire stations, libraries, affordable housing, retail centers
- The foreclosure crisis is threatening those investments and the stability of long-standing community anchors.

# Greater Grand Crossing





# North Lawndale



# East Garfield Park





# Auburn Gresham



# Humboldt Park



# City of Chicago Foreclosure Statistics

	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Filings</b>	13,872	20,592	22,685
<b>Completions</b>	6,118	9,948	8,815

- The City of Chicago saw an overall increase in foreclosure filings of 10.2 percent from 2008 to 2009.
- The City of Chicago saw an 11.4 percent decrease in completed foreclosure auctions between 2008 and 2009.

Source: Woodstock Institute, February 2010

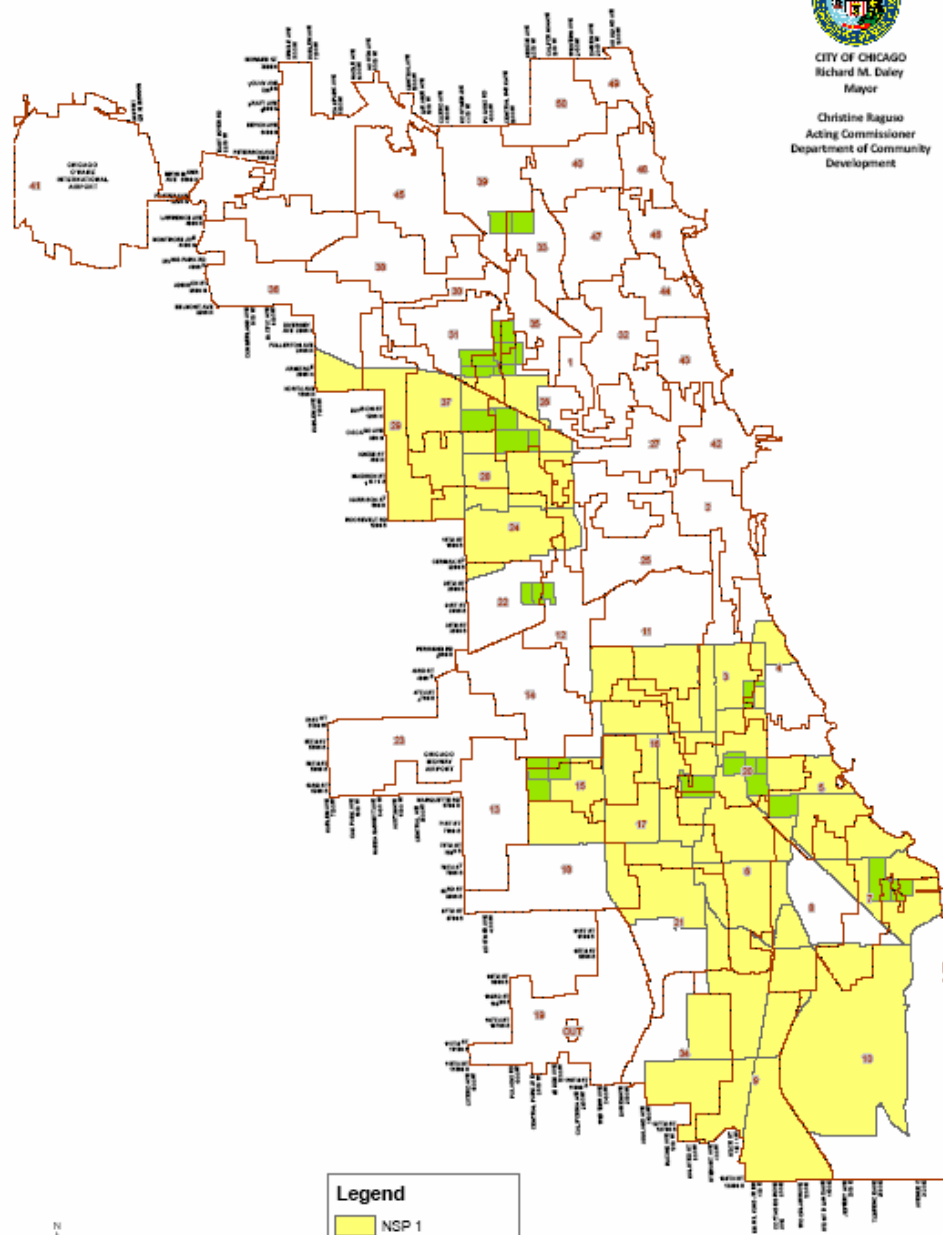


# NSP AREAS OF GREATEST NEED



CITY OF CHICAGO  
Richard M. Daley  
Mayor

Christine Ragusa  
Acting Commissioner  
Department of Community  
Development



## Legend

- NSP 1
- NSP 2
- Wards



Source: 2000 Census Tracts

# Identifying Target Areas

- To protect recent development and make a significant impact, NSP investments must be strategic and targeted.
- NSP target areas have been identified based on proximity to recent public and private investments.
- Government intervention is necessary to stabilize all these areas.

# City of Chicago's NSP Strategy

- Goal: assist 2,000-2,500 units over 3-5 years in targeted areas utilizing NSP 1 & 2 funds
- Focus on acquisition and rehab of bank-owned properties
- Determine most appropriate disposition option:
  - Homeownership
  - Rental
  - Demolition
- A non-profit organization, Mercy Portfolio Services, is working at the direction of the City to acquire, redevelop, and reposition the properties.



# Developing the Chicago NSP Infrastructure

- Established a rolling RFQ process to identify developers to rehab homes
  - RFQ posted at [www.chicagonsp.org](http://www.chicagonsp.org)
- Identified vendors to assist in implementing the program
- Developed a financial model to ensure ready access to capital for acquisition and rehab
  - NSP is a reimbursement grant: no up-front funds

Use \$55 million HUD grant to acquire and rehab 1<sup>st</sup> pool of homes.



Use program income from sales of 1<sup>st</sup> pool to purchase and rehab 2<sup>nd</sup> pool.



Use program income from sales of 2<sup>nd</sup> pool to purchase and rehab 3<sup>rd</sup> pool.



# NSP Single-family Home Financing Example

Acquisition Cost:	\$20,000
<u>Rehab &amp; Soft Costs:</u>	<u>\$168,000</u>
Total Cost:	\$188,000
Sales Price:	\$188,000
NSP Homebuyer Subsidy:	\$60,000
NSP Program Income to Reinvest:	\$128,000



# Status of Chicago NSP

- Identified more than 1,100 vacant units for potential acquisition
- Assessed more than 600 vacant bank-owned units
  - Assessment includes an appraisal, scope of work, and financial analysis
- Made offers on more than 550 units
- Acquired 191 units (54 properties)
- Additional 97 units (11 properties) under contract and set to close in the next 30-60 days
- Rehab underway on first group of properties
- More than \$26 million, or 48% of the grant, has been committed to acquiring and rehabbing properties, compared to 35% committed nationally

# Chicago NSP Basics

- Average acquisition cost/unit: \$19,799
- Average percent discount from appraised value: 16%
- Average estimated rehab cost/unit: \$116,249
- Average estimated rehab cost/square foot: \$114
- Average estimated Total Development Cost (TDC) /unit: \$136,318
- Average estimated TDC/square foot: \$123.14
- Average estimated subsidy unit: \$59,313

# NSP 2

- Additional \$2 billion allocated in ARRA
  - Unlike first round, HUD must distribute funds on a competitive basis
- HUD has awarded the City of Chicago \$98 million
  - Second-largest award for a municipality, fifth-largest overall award
  - HUD received nearly 500 applications and only made 56 awards
- 36 census tracts in 12 community areas approved for funding



# HUD Deadlines

- NSP 1 funds must be **committed** by September 27, 2010 and **spent** by March 27, 2013.
- 50% of NSP 2 funds must be spent by February 11, 2012 and 100% must be spent by February 11, 2013.

# NSP Facts

- New HUD program designed to address vacant, foreclosed homes in hard-hit communities
- Funds address vacant and foreclosed homes, not assist homeowners who are in foreclosure
- Reimbursement program: no up-front funds
- Not all boarded-up properties are eligible